PARAGRAPH STATEMENTS ON THE SIGNIFICANCE OF THE AGRICULTURAL ADJUSTMENT PROGRAM AND PROGRESS MADE

The following paragraph summaries may be used by women's groups in numerous ways.

1. They may be used as current events topics to be distributed among members of a group.

2. A leader may ask the questions, and request the person having the answering statement to read the answer.

3. This type of material may be compiled monthly as new phases of the program develop, to be used in current events classes.

F O R E W O R D

Women of today realize that their interests are no longer confined strictly to the problems of home management and child care. The farm home, the education of children, the advancement of living standards all depend greatly upon the success of farming as a business. Women have evinced a growing interest in civic affairs; they are studying county and state budgets and taxing systems. To meet the interest of farm women in the problem of security for the farm home, the following summary of the operation of the Agricultural Adjustment Act has been prepared for the use of home demonstration agents, and other leaders of women's groups.

QUESTIONS FOR DISCUSSION OF PARAGRAPH STATEMENTS

1. Give some of the causes of the depression in agriculture.

2. What effect did the World War have on American agriculture?

3. Which of our farm crops were formerly sold abroad in large quantities?

4. Why was it not possible for American farmers to keep on selling their products to European nations?

5. Give some figures showing the actual money loss to farmers due to the loss of the export market.

6. What is a surplus? What was the estimated amount of surplus farm crops at the beginning of the 1932-1933 season?

7. What effect did our surpluses have on prices of farm products?

8. Give some idea of the inequality or disparity existing between prices of things the farmers sold and prices of things they had to buy.

9. Why couldn't farmers individually remedy the situation?

10. Why did the farm depression affect the banks?

11. What effect did the farm depression have on industry?

12. Show the relation of breadlines in the city to the surplus wheat, corn, cotton, etc., on the farms.

13. What was the farm situation in the spring of 1933? What was the first step decided upon by the Administration to remedy the situation?

14. What is the main purpose of the Agricultural Adjustment Act?

15. What is the method used in the Agricultural Adjustment program --individual effort or cooperative effort? Does the program provide for reduction only?

16. For what basic agricultural products has the AAA production-adjustment program been put into effect?

17. With whom did farmers desiring to cooperate in the adjustment program sign contracts?

18. What was the specific program for wheat, and how many farmers signed contracts?

19. What was the specific program for corn and hogs, and how many farmers signed contracts?

20. To what extent did cotton farmers take part in the adjustment program? How much money did they receive in benefit payments?

21. What can be said of producers' cooperation in the tobacco program and the benefit payments they received?

22. Has any help been given to farmers producing crops other than cotton, corn-hogs, and wheat?

23. Are farmers forced to sign production-control contracts?

24. What part did farmers themselves have in drawing up the various commodity programs?

25. When farmers agreed to reduce their acreage, were the "reduced" acres left idle?

26. What will be the total amount of benefit payments to farmers by the end of 1935?

27. To what extent have prices for farm products increased since the control program and other recovery measures went into effect?

28. How has increased farm buying power helped industry?

29. Where does the Government get the money to make benefit payments to farmers?

30. What is the amount of the processing taxes collected up to November 1, 1934? What is the amount of the benefit payments up to the same date?

31. Who really pays the processing tax?

32. What effect does the processing tax have on the cost of food and cotton goods? Compare this with the tariff on manufactured goods.

33. What effect has the AAA program had in relation to the loss of crops by drought?

34. What has the AAA done under its drought cattle-buying program?

35. Has it done anything toward cattle disease eradication?

36. Was there any increase in farm income in 1934?

37. Did the drought render food supplies insufficient for the nation's needs?

38. What does a comparison of agricultural output and prices with industrial output and prices since 1929 reveal?

39. Mention some of the Depression's social effects on the farm.

40. How have farm women met this situation?

41. Give results of the Government survey of farm homes.

42. Who has carried on the work of the AAA program?

43. Mention some phases of the future programs for agriculture.

44. With what form of economic adjustment are women familiar?

STATEMENTS:

1. Agriculture has been in a state of depression since 1920. Some of the factors contributing to this depressed state are:

(1) The expansion in agriculture during the war to meet foreign demands that later dropped off.

(2) The raising of tariff walls in foreign countries. These effectively kept out agricultural exports from America.

(3) The competition of countries where new lands had been opened us.

(4) The decreased rate of increase in our own population, due to new laws that greatly cut down immigration.

(5) The use of machinery to do farm work in place of horses and mules. This meant that the crops formerly used to feed the horses and mules were no longer needed.

As a result of these and other factors, prices of farm products in America fell to ruinously low levels.

2. During the World War, American farmers were urged to put more land into food crops to feed not only American soldiers and citizens but also the people of foreign countries whose farming operations were crippled by the war. As a result, American farmers planted more than 40,000,000 acres over what they had planted previously. In many cases, they went deeply into debt for high-priced land and machinery, expecting to pay these debts with money from high-priced crops.

3. Before the war, America exported 21 percent of its wheat, 66 percent of its cotton, 39 percent of its tobacco, and 12 percent of its hog products.

4. There are several reasons for our loss of European markets.

(1) European nations increased their existing tariffs and added new ones to keep out agricultural products. This was done to encourage the growth of their own agriculture. Several of these nations felt that they had to produce enough food to feed their own people in order to play safe in case of another war.

(2) Before the war, we had always owed Europe money. After the war, Europe owed us money. Therefore European nations could not afford to pay for our farm products except by sending us manufac-

tured goods in exchange. But we shut out these manufactured goods by raising tariffs of our own.

(3) The markets that did remain were flooded by agricultural products from such countries as Argentina, Canada, and Austrialia, where new lands had been opened up.

5. In the fiscal year 1919-20 American farm products going into foreign trade were valued at $3,861,511,000. By 1932-33 this figure had fallen to approximately $588,169,000. This is a loss of nearly 85 percent.

6. A surplus of agricultural products, as recognized in the adjustment program, is that amount which exists over and above the amount for which there is an effective demand. "Effective demand" includes the quantities that can be disposed of at home and abroad at a price that will enable the grower to remain in business, and also the carryover or reserve needed to meet any emergency or any likely new market. As a result of our loss of the foreign market, we were left with huge surpluses. At the beginning of the 1932-33 season, there were nearly 400,000,000 bushels of wheat piled up in the United States over and above current production; 13,000,000 bales of cotton; and 374,000,000 pounds of the most important kind of American tobacco. In addition, 11,700,000,000 pounds of live pork were on American farms, and there were 100,000,000 acres of corn to feed them. The pork was not the kind of surplus which piles up in warehouses. It was all sold, but at a price reflecting the pressure of surplus supplies.

7. The accumulation of our great surpluses broke the price of farm commodities. The general trend of prices was steadily downward until, after 1929, they were at the lowest level in the history of the United States. Wheat sold at around 38 cents a bushel, cotton at 6 1/2 cents a pound, and corn at 9 cents a bushel.

8. The prices of things the farmer had to buy did not come down in proportion to the prices of things he had to sell. The result was that, averaging farm products as a whole, he had to produce just about twice as much in order to buy a given amount of manufactured goods as he had had to produce in the period 1909-1914. And not only that--his interest on his debts, his insurance, and his taxes did not come down at all. This constant pressure to produce more in an effort to meet the cost of living and doing business not only added to the existing surplus--because there was no market for part of what he produced--but also helped to rob the soil of its fertility.

9. Although many individual farmers understood the situation, they could do nothing about it as individuals. No farmer, acting alone, could afford to reduce his production if other farmers did not join with him. He was afraid that if he reduced production, he would also reduce his income.

10. When commodities produced on farm land bring very low prices, the land also goes down in value, because its earning power has declined. The farm depression was soon felt by the banks because they held a large amount of farm land as security for loans. In many cases the market value of a piece of land had declined to such an extent that it was not equal to the amount of the loan for which the land had been pledged as security.

11. As the farm depression deepened, all industry was affected by the decline in the purchasing power of this 25 percent of the population. In fact, considerably more than 25 percent were involved, because as the farmer was dragged down, all rural and small-town business men were dragged down with him. Purchases of clothing, automobiles, machinery, paint, and many other products were cut to a minimum by country dwellers. Industry met this reduced demand by reducing production, with the result that millions of workers in the large cities were thrown out of employment.

12. City workers thrown out of employment by the farm depression could not buy farm products, and farmers could not buy goods that these workers had produced. Thus the surplus of food kept increasing in the country at the same time that the breadlines of hungry men grew longer in the cities.

13. By the spring of 1933 agriculture had come to a point so dangerously low that Congress declared a national emergency existed. Something effective must be done at once to reduce ruinous surpluses and bring production into line with demand. The Agricultural Adjustment Act was passed by Congress for this purpose.

14. The Agricultural Adjustment Act was passed as an emergency measure in May, 1933. It is designed to enable the farmer to adjust his crops to the point where they are reasonably in line with what he can sell, instead of being so far above what he can sell that the surplus keeps pulling prices down. Only by keeping production in line with demand can the farmer get a fair price and a share of the national income nearer what he should have. He can then again become a good customer of industry and this will help improve the whole national economic situation.

15. Under the Agricultural Adjustment Act, all farmers may cooperate through the agency of the Government, in a program to adjust their crops to the demands of the market. On account of surpluses, the program during the last 2 years has been largely one of reduction but it is equally useful in adjusting production upward when upward adjustment is necessary.

16. The production adjustment programs of the Agricultural Adjustment Administration, which have been carried on for the past two years, make it possible for farmers growing wheat, cotton, corn, hogs, and tobacco to agree with the Government and each other to limit the number of acres they have been planting to these crops, and the number of hogs they raise. More recently, programs of this kind have been put into effect also for sugar and peanuts. A similar program is planned for rice.

17. In agreeing to limit the acreage of crops and the number of hogs, farmers signed contracts with the Secretary of Agriculture. In return, they received cash benefit payments which helped to increase their income from their farming operations.

18. Altogether more than 550,000 wheat farmers, controlling 78 percent of the total wheat acreage, signed contracts to reduce wheat acreage 15 percent below the average planted in the period 1928-1932. In return the Government made them cash payments for the 1933 crop, of 29 cents a bushel on an amount equal to 54 percent of the farmer's average annual production during 1928-1932. This 54 percent represents the part of our total wheat production that is consumed as human food within the United States. Payments totaling the same amount per bushel are being made on the same percentage of the 1934 crop.

19. More than a million farmers signed contracts to reduce their corn acreage 20 to 30 percent under the average of what it had been in the 2 years from December 1, 1931, to December 1, 1933, and to reduce the number of hogs 25 percent under the average annual production from litters farrowed during the same period. In return, they were paid 30 cents a bushel on the yield of corn estimated for the acreage that had been withdrawn and contracted to the Government, and $5.00 a head for 75 percent of the average number of hogs produced for market during the base period.

20. A total of 1,032,000 farmers agreed to reduce the number of acres planted in cotton in 1933, and were paid $112,600,000 in benefit payments. It is estimated that cooperating producers will receive $116,000,000 in benefit payments for their participation in the 1934 program.

21. Acreage adjustment was agreed to by 278,700 growers of tobacco, who are receiving approximately $45,000,000 in benefit payments for participation in the 1934 program.

22. Besides the production-adjustment programs for cotton, corn-hogs, wheat, tobacco, and other commodities designated as "basic" in the act, the Agricultural Adjustment Administration has established marketing agreements and licenses for milk, certain fruits, vegetables, nuts, and other products, as is authorized in the Adjustment Act. Through these measures, processors and dealers have agreed to pay fair prices to farmers for these products, or to regulate marketing conditions so that fair prices may be maintained.

23. Farmers voluntarily sign contracts for the control of production, and receive benefit payments for their cooperation. In the case of the tobacco and the cotton programs, this method of cooperation has been supplemented by the provisions of the Kerr-Smith and Bankhead acts, respectively. These two acts tax the cotton and tobacco sold by the non-cooperating minority to reduce the advantage which this minority would otherwise receive from the higher prices brought about by the adjustment programs. Tobacco and cotton farmers recently voted, by large majorities, to continue these acts.

24. Farmers and representatives of farm organizations aided in drafting the provisions of the various programs. Many meetings of producers have been held to learn the wishes of the farmers with respect to the programs, or to consider changes which needed to be made in the programs from time to time. The 1935 corn-hog program was drawn up after corn-hog contract signers voted in a referendum for such a program.

25. The acres which were "rented" to the Government were not left idle. They were planted in crops which would add fertility to the soil, or left to pasture and woodlots. Later, because of the drought, provision was made to encourage the planting of these "rented" acres in feed, food, and forage crops.

26. It has been estimated that farmers will receive $840,000,000 in benefit payments by the end of 1935.

27. Besides the direct benefit payments to cooperating producers, farmers generally have received better prices for the crops they have sold, because

of the adjustment programs and other factors including the drought. For example, wheat in March, 1933, was selling for 34.5 cents a bushel; in January, 1935, the price was 89.3 cents a bushel. Cotton sold for 6.1 cents a pound in March, 1933; in January, 1935, it sold for over 12 cents. Hogs in March, 1933, were selling for $3.22 per hundredweight, while in January of 1935 the price was $6.87. In March, 1933, corn sold for 20.6 cents per bushel; by the middle of January, 1935, it sold for 85.3 cents per bushel.

28. Part of the money received by farmers in the form of benefit payments and through increased prices for their products was used to buy clothing, machinery, and other manufactured goods. Thus the increased buying power of farmers has been reflected in increased retail activity and this, in turn, by increased industrial production. Increased production in urban centers required more labor and added to factory payrolls.

29. The crop-control programs are run on a balanced budget. Funds disbursed in benefits to farmers through the whole life of such a program are equalled by the funds derived from processing taxes collected at mills, packing plants, and other points where the farmer's products are prepared for the market.

30. Processing and related tax collections had brought in $640,871,403.22 as of December 31, 1934. Rental and benefit payments totaled $527,501,795.92 the same date. At any given time, collections may exceed payments, or vice versa, but over the life of the program the two amounts will be approximately equal.

31. In general it may be said that processing taxes are added to the prices which consumers pay for the finished products of the farm, and therefore that the consumer pays the processing tax. However, the manner in which the processing tax is absorbed differs for different commodities. In the case of cotton and wheat, the quantities sold are relatively inflexible; that is, consumers will buy about the same amounts of these products no matter what the prices may be. Therefore, the processing taxes on these commodities are probably paid directly by consumers of the finished goods, in the form of slightly higher prices. In the case of hogs, the quantity sold in the form of pork products tends to depend on the price: that is, when prices are higher, consumers buy less, and when prices are lower, consumers buy more. In other words, consumers simply pay more per pound for fewer pounds of pork offered. This means that the processing tax on hogs is paid by the consumer not through a greater outlay of money for pork products, but through accepting less products for the same amount of money.

32. For a loaf of bread costing about 8 cents, the processing tax adds only 1/2 cent. For an ordinary bed sheet, the processing tax of 4 cents a pound on cotton adds 7 6/10 to the price of the sheet; and for a man's work shirt, the tax adds about 3 1/2 cents. The tariff paid to industry to keep out foreign made cotton shirts that cost $1.00 is 45 cents per shirt. The processing tax is, in a sense, the farmer's tariff and may be compared to the tariff which has protected manufacturers.

33. The agricultural adjustment program has helped to moderate the suffering caused by the drought. It acted as crop-income insurance. In many cases farmers did not harvest enough wheat, corn, tobacco, or cotton to sell; yet because they had agreed to reduce their acreage, they received the benefit payments from the Government just the same. These payments were figured on the basis of past average production. The control of production through adjustment contracts enabled the AAA to shift land from the production of basic commodities in which there was a surplus to the production of emergency feed, food and forage crops needed to maintain adequate supplies of livestock which would otherwise have been lost because of drought-caused shortages in feed.

34. As a result of the drought, feed was very scarce and cattle were dying. Because the Agricultural Adjustment Administration was already established, it was able to cooperate with other Government agencies in taking prompt action to relieve the situation. Through the cattle-buying program, 8,130,000 head were purchased, with an expenditure of approximately $108,000,000. The meat obtained was processed and distributed by the Federal Emergency Relief Administration to people on the relief rolls.

35. The program for the eradication of bovine tuberculosis and Bang's disease among cattle has been enlarged.

36. The farm income increased from $5,051,000,000 in 1933 to an estimated $6,091,000,000 in 1934. On the basis of this estimate, this is a gain of 19 percent--a gain which took place in spite of the severe drought.

37. Though the drought reduced supplies of some commodities, notably livestock, below a desirable level, the total supplies of food are sufficient for the Nation's needs. In two-thirds of the various kinds of food products, there is no shortage at all.

38. During the period from 1929 to 1934, agricultural production had declined only 15 percent, while agricultural prices were approximately 40 percent under the 1929 level. In contrast, industrial production in 1934 was 40 per cent less than it had been in 1929, while the prices of industiral products were approximately only 15 percent less than they had been in 1929.

39. Heavy burdens had been laid on farm home-makers during the years of depression. Over a period of 5 years one farm out of every 10 was lost by mortgage foreclosure. Over 100,000 school children faced curtailment of their education. Many farm communities were without the assistance of nurses and other welfare workers.

40. Farm women courageously attempted to meet the conditions imposed on them by the depression, and to keep up the morale of their families. With the help of home demonstration agents, they carried on live-at-home programs, and produced as much food as they could at home. Moreover, 25 percent of the average cash income of farms during the depression is estimated to have been derived from the local sales of goods produced by home-makers.

41. The farm survey recently made by the Government in 46 states shows that $3,500,000,000 would be needed to put farm homes into good living condition. There are great opportunities for the installation of electrical equipment, adequate plumbing fixtures, and running water in the homes. It was estimated that only 13.5 percent of the farm homes are equipped for electricity, and only 18.5 percent have running water. From the survey it is evident that there is a great future market for industry in the farm homes, and that when farmers secure a fair share of the National wealth, they in turn will add greatly to general National prosperity.

42. The program of the Agricultural Adjustment Administration has been carried on in the field through the extension workers, county agents, farm organization members, and farmers selected by their neighbors. The coordination and planning has been done at Washington.

43. The farm program so far has been of an emergency nature. Now, however, with depressing surpluses largely removed, through the adjustment programs coupled with the drought, farmers are ready to think seriously about future programs. The aim of continuing adjustment will be to balance production year by year, both as among the various agricultural commodities, and as between agricultural production as a whole, and industrial production. Without continuation of adjustment exports, production might quickly reach the old levels, prices might fall, and farmers might lose the gains they have made through cooperative effort to adapt production to demand. Other

activities will be part of a future program for making the most efficient use of the Nation's land resources. These activities include the control of erosion by terracing farm lands or by planting forests on land which has been too much washed away to be profitably farmed. Land in areas too poor to return families a decent livelihood is being purchased by the Government and put to better uses, such as forest reserves, grazing lands, and recreation areas. Families who had been living on this poor land are being aided in obtaining better land on which to live.

44. Farm women know all about one form of economic adjustment: that of adjusting living standards to greatly lowered incomes. They need to know about the adjustment methods of the farm program, which are designed to keep production in line with effective demand, and thus increase their incomes.